

## Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 COME-00 DRC-01 RSC-01 (ISO) W  
----- 042459

P R 260843Z FEB 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 6262

INFO AMCONSUL DHAHRAN

UNCLAS JIDDA 0950

E.O. 11652: N/A

TAGS: ECON, SA

SUBJECT: FY 1975 COUNTRY COMMERCIAL PROGRAMS

REF: (A) STATE 006882 (B) STATE 032536

BEGIN SUMMARY: EMBASSY'S BASIC PROPOSALS FOR COM-  
MERCIAL OBJECTIVES BEING FORWARDED IN JIDDA A-11.  
PENDING ITS RECEIPT, WE MAKE FOLLOWING OBSERVATIONS:

SAUDI MARKET ALREADY BIASED IN FAVOR OF U.S. PRO-  
DUCTS. PRIMARY PROBLEM IS IN SERVICING DEMAND.  
PRIMARY OPPORTUNITIES ARE IN MAJOR PROJECTS AND  
BULK OF EXPORT SALES WILL DEPEND ON GETTING CON-  
TRACTS FOR THOSE PROJECTS. INCREASED COMMERCIAL  
STAFFING HAS BEEN REQUESTED TO HANDLE HEAVY AND  
INCREASING WORKLOAD. IN MEANTIME EMPHASIS MUST  
BE PLACED ON MAJOR PROJECT OPPORTUNITIES AND ON  
GETTING U.S. FIRMS TO SERVICE THIS MARKET PROPERLY.  
END SUMMARY.

1. EMBASSY PROPOSAL FOR AN OVERALL LONG-TERM  
ECONOMIC/COMMERCIAL POLICY FOR SAUDI ARABIA  
POUCHED FEBRUARY 25 (JIDDA A-11). WHILE EMBRACING  
LARGER GOALS, IT INCLUDES SPECIFIC RECOMMENDATIONS  
WHICH DEFINE OUR COMMERCIAL OBJECTIVES FOR SAUDI  
ARABIA. PENDING YOUR RECEIPT OF A-11, WE MAKE THE  
FOLLOWING OBSERVATIONS:

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2. SAUDI MARKET IS ALREADY STRONGLY PREJUDICED

IN FAVOR OF AMERICAN GOODS AND SERVICES, WHICH COMPETE WELL EVEN AGAINST SIGNIFICANTLY LOWER-PRICED EUROPEAN AND JAPANESE PRODUCTS. PROBLEM IS IN FAILURE OF U.S. FIRMS TO SUPPLY EXISTING DEMAND AND LUKEWARM RESPONSES TO SAUDI TRADE OPPORTUNITIES. TYPICAL EXAMPLE IS AUTOMOBILE INDUSTRY. ORDINARY WAITING PERIOD FOR CUSTOMER SEEKING A U.S.-MADE VEHICLE IS TWO TO SIX MONTHS; WHILE JAPANESE CONTINUE TO FLOOD THE MARKET WITH DATSUNS AND TOYOTAS. EMBASSY COMMERCIAL OFFICE RECEIVES PLEAS FROM SAUDI BUSINESSMEN THAT HE INTERCEDE WITH U.S. FIRMS TO GET THEM SIMPLY TO REPLY TO REPEATED LETTERS/CABLES OF ENQUIRY. A RECENT 50 MILLION DOLLAR TRADE OPPORTUNITY (JIDDA 5340, DEC. 73) WAS NOT EVEN DISSEMINATED BY USDOC BECAUSE OF "CURRENT TEXTILE SHORTAGES" IN THE U.S. DESPITE BOOMING CONSTRUCTION INDUSTRY, ONLY ONE (RELATIVELY SMALL) U.S. CONSTRUCTION FIRM MAINTAINS A LOCAL OFFICE HERE.

3. PRIMARY COMMERCIAL OPPORTUNITIES HERE ARE IN MAJOR TURNKEY GOVERNMENT PROJECTS. SCOPE FOR SHELF ITEMS IS LIMITED AT BEST AND INSIGNIFICANT BESIDE THE TENS OF BILLIONS OF DOLLARS SAG WILL BE EXPENDING ON DEVELOPMENT AND MILITARY PROJECTS. OUR PRIMARY EFFORT THEREFORE MUST BE ON GETTING U.S. FIRMS INTO THESE MAJOR PROJECTS AND PRODUCT SALES WILL FOLLOW AUTOMATICALLY.

4. EMBASSY COMMERCIAL STAFF AT PRESENT CONSISTS OF ONE COMMERCIAL OFFICER AND TWO FSL COMMERCIAL ASSISTANTS. ROUTINE WORKLOAD AT DOWNTOWN COMMERCIAL OFFICE IN CY 1973 INCLUDED 127 WTDR'S, 28 ADS'S, 21 TRADE OPPORTUNITY AND 4 INVESTMENT OPPORTUNITY REPORTS, 12 TRADE COMPLAINTS, 2 TRADE MISSIONS, 1215 BUSINESS LETTERS RECEIVED AND ANSWERED, AND 1261 BUSINESS VISITORS OF WHOM ABOUT 350 WERE AMERICANS. THIS DOES NOT INCLUDE BUSINESS VISITORS AND CORRESPONDENCE HANDLED AT CHANCERY OFFICES NOR WORK DONE AT CONSULATE GENERAL IN DHAHRAN WHERE DESIGNATED COMMERCIAL STAFFING CONSISTS OF ONE FSL.

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THIS WORKLOAD IS RAPIDLY INCREASING WITH SAUDI ARABIA'S NEW ECONOMIC PROMINENCE AND AS SAG INCOME AND SPENDING CONTINUE TO SOAR.

5. INCREASED COMMERCIAL STAFFING HAS BEEN REQUESTED IN JIDDA A-8 OF FEB 2. IN THE MEANTIME, BRUNT OF ROUTINE COMMERCIAL OPERATIONS SUMMARIZED IN PARA 4 WILL BE BORNE BY FSL'S, WHILE COMMERCIAL OFFICER

ATTEMPTS TO FOCUS ON MAJOR PROJECTS.

6. TRADITIONAL MODES OF PRODUCT-ORIENTED TRADE PROMOTION NOT PARTICULARLY USEFUL HERE, FOR REASONS GIVEN IN PARAS 2 AND 3--I.E., U.S. IS ALREADY PREFERRED SUPPLIER AND THE BIG MONEY IS IN MAJOR GOVERNMENT PROJECTS. FOCUS OF OUR EFFORTS THEREFORE MUST BE ON GETTING U.S. FIRMS INTERESTED. ORGANIZING INVESTMENT MISSIONS RATHER THAN TRADE MISSIONS IS ONE POSSIBILITY. ANOTHER IS CLOSER LIASISON WITH U.S. INDUSTRY TO ENCOURAGE DEVELOPMENT OF WELL-DEFINED PROPOSALS FOR PRESENTATION TO SAG.  
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## Message Attributes

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